Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

CONFIDENTIAL

PAGE 01 STATE 132504
ORIGIN OES-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 ACDA-07 PM-04 L-03
NRC-05 CIAE-00 INR-07 NSAE-00 /051 R

DRAFTED BY OES/NET/IM:DHOYLE
APPROVED BY OES/NET/IM:DHOYLE
ERDA/ISA - I WILLIAMS (SUBS)
ERDA/IA - G HELFRICH (SUBS)
ACDA - D RUST
EUR/EE - S FROMOWITZ
PM/NPO - G OPLINGER (SUBS)
L/OES - C SIEGAL
----------082342Z 122953 /65
P 082140Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY BUCHAREST PRIORITY
INFO AMEMBASSY OTTAWA PRIORITY

C O N F I D E N T I A L STATE 132504

E.O. 11652: GDS

TAGS: TECH, ENRG, RO

SUBJECT: NUCLEAR COOPERATION

REF: A. BUCHAREST 720 B. BUCHAREST 1247

1. THIS MESSAGE SUMMARIZES CURRENT STATUS OF VARIOUS ASPECTS OF U.S.-ROMANIAN NUCLEAR COOPERATION, AS DISCUSSED BY OES WITH BOTH SMITH AND VIETS LAST MONTH.

2. CANDU REACTOR. AECL WAS FORMALLY ADVISED OF U.S. POSITION RE. CANDU COMPONENTS SUBJECT TO 10 CFR 810 IN ERDA LETTER OF MAY 16, 1977 TO LEAIST (SENIOR ACEL OFFICIAL DESIGNATED AS CONTACT FOR THIS MATTER BY ROSS CAMPBELL, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 132504

AECL CHAIRMAN). (COPY OF THIS LETTER SENT TO EMBASSY MAY 21.) ERDA HAS NOT YET MADE ARRANGEMENTS TO HOLD DETAILED DISCUSSIONS WITH VENDORS FOR FURTHER CLARIFICATION WHERE POSSIBLE PROBLEM AREAS IN MANUFACTURING TECHNOLOGY HAVE BEEN IDENTIFIED, BUT EXPECTS TO BE GETTING A LETTER OUT TO SUCH VENDORS WITHIN THE NEXT FEW DAYS PREPARATORY TO SUCH DISCUSSIONS.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

3. IN FOLLOW-UP CALL FROM HOYLE TO LEAIST ON MAY 18, LEAIST GAVE STATUS REPORT ON CANADIAN-ROMANIAN NEGOTIATIONS.

FOSTER, AECL PRESIDENT, WAS TO HAVE GONE TO BUCHAREST WEEK OF MAY 15 FOR FINAL NEGOTIATIONS AND ANTICIPATED INITIALING OF AECL-SCNE ENGINEERING SERVICES AGREEMENT (THE OTHER TWO PARTS OF THE PACKAGE -- THE GOVERNMENT-LEVEL "UMBRELLA" NUCLEAR COOPERATION AGREEMENT AND THE AECL/SCNE LICENSING AGREEMENT -- ALREADY HAVE BEEN INITIALED). HOWEVER, AECL AND CANADIAN MINISTRIES OF INDUSTRY AND OF FINANCE DECIDED THAT "COMMERCIAL CONSIDERATIONS" DICTATED FURTHER REVIEW OF CANADIAN POSITION, SO FOSTER VISIT WAS DEFERRED. INITIALLY, CANADIANS SUGGESTED DEFERRAL UNTIL WEEK OF JUNE 8, BUT THEIR REVIEW HAS TAKEN LONGER THAN ANTICIPATED AND NO FURTHER DISCUSSIONS NOW ARE EXPECTED UNTIL AT LEAST JULY. ACCORDING TO LEAIST, ROMANIANS SUSPECT THAT ACTUAL REASON FOR DEFERRAL RELATES TO NONPROLIFERATION INITIATIVES BY LONDON SUPPLIERS' GROUP, DESPITE CANADIAN DISCLAIMERS.

4. IN RESPONSE TO QUERY AS TO WHEN ACTUAL ROMANIAN PROCUREMENT OF FIRST CANDU MIGHT BEGIN, ASSUMING BASIC ARRANGEMENTS SATISFACTORILY CONCLUDED, LEAIST INDICATED THAT CANADIAN CABINET REVIEW AND APPROVAL OF THE THREE AGREEMENTS WOULD BE REQUIRED. IF THEY COULD BE PRESENTED TO CABINET BY MID-JULY, APPROVAL WAS POSSIBLE BEFORE CABINET WENT ON EXTENDED HOLIDAY AT END OF JULY. OTHERWISE, CABINET APPROVAL COULD NOT COME BEFORE EARLY FALL. UNDER CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 132504

MOST HOPEFUL SET OF CIRCUMSTANCES, HE DID NOT BELIEVE ACTUAL COMPONENT ORDERING COULD BEGIN BEFORE EARLY 1978. FURTHERMORE, FINANCING HAS NOT BEEN DISCUSSED IN ANY DETAIL. THE CANADIAN EQUIVALENT OF THE EXPORT-IMPORT BANK HAS INDICATED WILLINGNESS IN PRINCIPLE TO CONSIDER SUCH FINANCING, BUT HAS NOT YET SPECIFIED POSSIBLE CONDITIONS.
5. AS EXPLAINED TO VIETS, DIFFICULTY OF IDENTIFYING IN ADVANCE POSSIBLE PROBLEM AREAS IN TRANSFER OF MANUFACTURING TECHNOLOGY SUBJECT TO 10 CFR 810 RESULTS FROM THE WAY IN WHICH AECL OPERATES. IN MOST AREAS -- FUEL ELEMENT DESIGN IS A NOTABLE EXCEPTION -- AECL DOES NOT REPEAT NOT PROVIDE POTENTIAL COMPONENT VENDORS WITH DETAILED DESIGNS AND BLUEPRINTS. INSTEAD, IT ISSUES PERFORMANCE SPECIFICATIONS. THUS, THE VENDOR IS FREE TO USE ANY TECHNOLOGY DESIRED IN MANUFACTURING THE COMPONENT, PROVIDED THAT IT IS BASICALLY COMPATIBLE WITH THE REACTOR SYSTEM AND PERFORMS AS SPECIFIED. SOME OF THE CANDU SUPPLIERS ARE OR HAVE BEEN IMPORTANT SUPPLIERS TO THE U.S. MILITARY, INCLUDING THE NAVAL REACTOR PROGRAM, OR HAVE ACCESS TO SUCH TECHNOLOGY

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

THROUGH ANOTHER DIVISION OF THE SAME PARENT COMPANY. IT IS POSSIBLE THAT SENSITIVE TECHNOLOGY TO WHICH THEY HAVE HAD SUCH ACCESS MIGHT ALSO BE USED IN THE MANUFACTURE OF CANDU COMPONENTS WHICH THEY SUPPLY. THIS CAN BE DETERMINED ONLY BY A DETAILED REVIEW OF THE MANUFACTURING PROCESS ACTUALLY BEING USED.

6. THE COMPONENTS LISTED IN STATE 020035, WHEN ASSOCIATED WITH THE SPECIFIC MANUFACTURER, MIGHT POSSIBLY FALL WITHIN THIS SENSITIVE CATEGORY. WE HAVE NO IDEA WHICH CANDU COMPONENTS THE SCNE MIGHT WISH TO FABRICATE IN ROMANIA NOR DO WE KNOW THE SEQUENCE IN WHICH THEY PLAN TO CARRY OUT SUCH FABRICATION. IN CONVERSATION WITH LEAIST, HOYLE ASKED WHETHER AECL BELIEVED THE U.S. POSITION HAD BEEN ADEQUATELY CLARIFIED WITH REGARD TO CANDU COMPONENTS AND THEIR MANUFACTURING TECHNOLOGY SUBJECT TO U.S. EXPORT APPROVAL. HIS REPLY WAS TO THE EFFECT THAT HE THOUGHT FOSTER DID NOT EXPECT ANYTHING FURTHER FROM THE U.S. AT CONFIDENTIAL

THE PRESENT TIME.

7. HEAVY WATER TECHNOLOGY. WE HAVE BEEN TOLD ON SEVERAL OCCASIONS BY SENIOR CANADIAN OFFICIALS THAT THEY HAVE NO PRESENT INTENTION TO TRANSFER HEAVY WATER MANUFACTURING TECHNOLOGY TO ROMANIA. THIS IS SUPPORTED BY THE UMBRELLA NUCLEAR COOPERATION AGREEMENT IN WHICH THE EQUIPMENT GOVERNED BY THE AGREEMENT AND LISTED AS BEING "ESPECIALLY DESIGNED OR PREPARED FOR THE PROCESSING, USE OR PRODUCTION OF NUCLEAR MATERIAL" INCLUDES ONLY REACTOR AND REACTOR COMPONENTS (APPENDIX B).

8. THERE CURRENTLY ARE TWO REQUESTS UNDER 10 CFR 810 CONSIDERATION RELATED TO TRANSFER OF HEAVY WATER MANUFACTURING TECHNOLOGY. THE FIRST IS BY FOSTER-WHEELER CORPORATION ON BEHALF OF ITS CANADIAN SUBSIDIARY, GLITSCH, CANADA, LTD. TO SUPPLY THE PROCESS AND MECHANICAL DESIGN AND TECHNICAL AND FIELD INSTALLATION ASSISTANCE FOR DISTILLATION COLUMNS OF A ROMANIAN HEAVY WATER PRODUCTION PLANT. WE NOW PLAN TO INQUIRE OF FOSTER-WHEELER WHET:ER THEY CONSIDER ANY ACTION NECESSARY IN VIEW OF OUR UNDERSTANDING THAT THE GOVERNMENT OF CANADA IS NOT REPEAT NOT PREPARED TO PERMIT THE TRANSFER OF HEAVY WATER MANUFACTURING TECHNOLOGY TO ROMANIA AT THE PRESENT TIME.

9. THE SECOND PART 8;0 REQUEST IS BY ALLIS-CHALMERS FOR THE EXPORT TO ROMANIA OF TWO ROTARY BARREL-TYPE, HYDROGEN-

SULFIDE COMPRESSORS FOR A ROMANIAN HEAVY WATER PRODUCTION TEST FACILITY.(FYI:THESE COMPRESSORS ARE SIMILAR TO, BUT ABOUT 1/5TH THE SIZE OF, COMPRESSORS WHICH THE INDIANS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

HAVE TRIED TO OBTAIN FOR A HEAVY WATER PRODUCTION PLANT, FIRST FROM CANADA, THEN INDIRECTLY FROM THE U.S., THROUGH A GERMAN LICENSEE IN WEST BERLIN AND MOST RECENTLY EXCLUSIVELY FROM SAME MANUFACTURER IN WEST BERLIN. IN THE FIRST TWO CASES, EXPORT TO INDIA WAS DENIED; IN THE CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 132504

LATTER, THE USG EXERTED STRONG PRESSURE TO ASSURE THAT ANY EXPORT WOULD BE CONDITIONED ON NON-EXPLOSIVE-USE ASSURANCES

AND SAFEGUARDS REQUIREMENTS APPLYING TO REACTORS USING ANY HEAVY WATER PRODUCED THROUGH USE OF THE COMPRESSORS, INCLUDING PLUTONIUM PRODUCED IN SUCH REACTORS. INDIA APPARENTLY HAS NOT BEEN PREPARED TO GRANT SUCH ASSURANCES AND SAFEGUARDS. END FYI.

10. AS INDICATED IN STATE 6903, DENIAL OF THE PRESENT EXPORT OF COMPRESSORS TO ROMANIA APPEARS TO BE INEVITABLE, BUT THERE MAY BE SOME FLEXIBILITY WITH REGARD TO TIMING AND RATIONALE. WITH REGARD TO TIMING, YOUR VIEWS WILL CERTAINLY BE AN IMPORTANT PART OF THE INPUT; INSOFAR AS RATIONALE IS CONCERNED, THIS COULD BE HANDLED AS A 10 CFR 810 DENIAL TO ALLIS-CHALMERS OR THROUGH THE COCOM PROCEDURE, SINCE HEAVY WATER PRODUCTION EQUIPMENT IS ON THE COCOM EMBARGO LIST. HOWEVER, ALLIS-CHALMERS IS PRESSING ERDA FOR A DECISION ON ITS REQUEST. OUR ASSESSMENT IS THAT IT WOULD BE BEST IF THE GOR WERE INFORMED OF THE USG DECISION DIRECTLY FIRST, RATHER THAN LEARNING OF IT THROUGH ALLIS-CHALMERS.

11. IN REFTEL A, YOU REQUESTED BOTH AN EXPLANATION IN LAYMAN'S LANGUAGE OF WHY HEAVY WATER PRODUCTION TECHNOLOGY IS SENSITIVE AND ALSO WHAT WE KNOW ABOUT THE CURRENT ROMANIAN HEAVY WATER PRODUCTION CAPABILITY, INCLUDING UNDP ASSISTANCE IN THIS AREA. INFORMATION ON BOTH OF THESE REQUESTS WILL FOLLOW BY SEPTEL.

12. HOT CELL. AS EMBASSY AWARE, GOR HAS ONCE AGAIN CHANGED ITS TUNE ON COMMERCIAL ACCEPTABILITY OF GENERAL ATOMIC (GA) OFFER. ACCORDING TO CHESWORTH, GA VERY MUCH IN RUNNING ON BASIS OF ITS MAY 3 QUOTATION. CHESWORTH SENT TELEX TO TECNOIMPORTEXPORT ON MAY 27 EXPLAINING GA'S UNDERSTANDING THAT ISSUE OF END-USE STATEMENT STILL NEEDS CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 132504

TO BE RESOLVED BY GOVERNMENTS AND THAT USG AWAITING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ROMANIAN RESPONSE TO ITS SEPTEMBER 1976 PROPOSAL. IN THE MEANTIME, WE ARE EXPLORING WITH EXIMBANK WHETHER PRELIMINARY COMMITMENT FOR HOT CELL CAN BE ISSUED PRIOR TO RESOLUTION OF THE END-USE STATEMENT PROBLEM. CHESWORTH BELIEVES THAT ISSUANCE OF PRELIMINARY COMMITMENT WOULD ENHANCE GA'S CHANCES. VANCE

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR COOPERATION PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE132504
Document Source: CORE
Document Unique ID: 00
Drafter: DHOYLE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770205-0001
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770676/aaaacpcv.tel
Line Count: 230
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0f6da182-c288-dd11-92da-001cc4696bcc
Office: ORIGIN OES
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BUCHAREST 720
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2223557
Secure: OPEN
Status: NATIVE
Subject: NUCLEAR COOPERATION
TAGS: TECH, ENRG, MNUC, RO, US
To: BUCHAREST
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/0f6da182-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009